

CITY OF LAMESA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

CITY OF LAMESA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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Independent Auditor's Report

City Council
City of Lamesa, Texas
Lamesa, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lamesa, Texas (the City), as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lamesa, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of changes in the plan's net pension asset/liability and related ratios for the retirement plans, the schedule of employer contributions for the retirement plans, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and HUD financial data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and HUD financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report June 8, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Balinger, Segars, Silbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

June 8, 2021

CITY OF LAMESA, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lamesa, Texas (the City) we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction the independent auditor's report and the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities on September 30, 2020 by \$19,182,599 (net position).
- The City's total net position increased by \$2,133,265, due mostly to an increase in Water & Wastewater revenues and a reduction in expenses.
- The City's governmental funds reported a combined ending fund balance of \$4,115,088, of which \$3,632,379 is available for spending at the City's discretion.
- The ending unassigned fund balance for the General Fund was \$3,632,379, or 74.65% of total general fund revenues and 66.20% of total expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position provides an analysis of the City's overall financial condition and operations. The primary purpose of this analysis is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the method used by most private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are separated into two categories: those provided by outside parties who share the costs of some programs, such as the Department of Transportation's assistance in safe driving, and revenues provided by the taxpayers. All the City's assets are reported whether they serve the current year or future years. Liabilities are included regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources) provides one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other financial factors as well (such as changes in the City's sales tax revenues or its property tax base) and non-financial factors (such as the condition of the City's facilities, unemployment rates and population growth or decline).

In the Statement of Net Position and the Statement of Activities, the following activities are presented.

- Governmental activities – Most of the City's basic services are reported here, including general government, administration, tourism, fire, streets, vehicle services, police, airport, and recreation and parks. Property taxes, sales taxes, user fees, and licenses and permits finance most of these activities.
- Business-type activities – The City accounts for business-type activities in its proprietary funds, where user fees and charges are intended to recover all or a significant portion of overall costs.
- Component units – The City has two component units which are funded primarily through sales tax revenue for the purpose of economic development, specifically the generation and retention of business activities and jobs.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish certain funds to account for specific activities, such as grants received through the State of Texas. The City's administration establishes other funds to help it control and manage resources for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds – The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the full accrual method, which is the same accounting method employed in the Statement of Net Position and the Statement of Activities. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The City adopts an annual appropriated budget for its general fund (major fund). A budgetary comparison schedule has been provided for this fund to demonstrate budgetary compliance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded inflows of resources and liabilities by \$19,182,599 at September 30, 2020. The largest portion of the City's net position (49.15%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, and equipment) less any related debt used to acquire these assets that is still outstanding. These assets are used to provide services to the citizens and are not available for future appropriation. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table I
CITY OF LAMESA, TEXAS**

NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Assets:						
Cash and Cash Equivalents	\$ 5,056,671	\$ 4,504,906	\$ 5,471,672	\$ 3,569,114	\$ 10,528,343	\$ 8,074,020
Receivables, Net	695,752	643,310	672,652	657,879	1,368,404	1,301,189
Internal Balances	113,863	96,624	(113,863)	(96,624)		
Due from Other Governments	14,720	21,993			14,720	21,993
Capital Assets and Water Rights	4,642,769	4,559,580	14,911,608	14,456,682	19,554,377	19,016,262
Other Assets	495,577	6,035	531,885	251,123	1,027,462	257,158
Total Assets	\$ 11,019,352	\$ 9,832,448	\$ 21,473,954	\$ 18,838,174	\$ 32,493,306	\$ 28,670,622
Deferred Outflows of Resources	\$ 132,578	\$ 582,218	\$ 158,157	\$ 401,061	\$ 290,735	\$ 983,279
Liabilities:						
<i>↳ Pension Plans</i>						
Accounts Payable and Other Current Liabilities	\$ 489,858	\$ 456,861	\$ 322,853	\$ 303,352	\$ 812,711	\$ 760,213
Current Portion of Long-Term Liabilities	156,643	158,948	787,600	1,035,748	944,243	1,194,696
Long-Term Liabilities	725,755	1,083,174	10,576,173	9,519,442	11,301,928	10,602,616
Total Liabilities	\$ 1,372,256	\$ 1,698,983	\$ 11,686,626	\$ 10,858,542	\$ 13,058,882	\$ 12,557,525
Deferred Inflows of Resources	\$ 335,068	\$ 35,879	\$ 207,492	\$ 11,163	\$ 542,560	\$ 47,042
Net Position:						
Invested in Capital Assets	\$ 4,642,769	\$ 4,559,580	\$ 4,784,715	\$ 4,840,389	\$ 9,427,484	\$ 9,399,969
Restricted	473,465	368,468	80,859	73,093	554,324	441,561
Unrestricted	4,328,372	3,751,756	4,872,419	3,456,048	9,200,791	7,207,804
Total Net Position	\$ 9,444,606	\$ 8,679,804	\$ 9,737,993	\$ 8,369,530	\$ 19,182,599	\$ 17,049,334

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The City has restricted net position totaling 2.89% of total net position, which represent resources subject to restrictions on how they may be used. Such resources include special revenue funds restricted for specific purposes. The unrestricted net position is \$9,200,791, and is available for use at the councils discretion.

There was an overall increase of \$27,515 in net investment in capital assets.

Table II
CITY OF LAMESA, TEXAS

	CHANGES IN NET POSITION					
	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues						
Charges for Services	\$ 96,955	\$ 152,425	\$ 8,143,199	\$ 7,323,420	\$ 8,240,154	\$ 7,475,845
Operating Grants and Contributions	406,052	477,601	165,958		572,010	477,601
Capital Grants and Contributions	623,610	90,445		65,340	623,610	155,785
General Revenues						
Taxes	4,075,207	4,002,668			4,075,207	4,002,668
Unrestricted Investment Earnings	61,271	56,178	58,227	42,846	119,498	99,024
Other	233,271	457,567	29,667	101,145	262,938	558,712
Total Revenues	\$ 5,496,366	\$ 5,236,884	\$ 8,397,051	\$ 7,532,751	\$ 13,893,417	\$ 12,769,635
Expenses:						
Administration	\$ 583,144	\$ 487,014	\$	\$	\$ 583,144	\$ 487,014
General Government	392,020	586,764			392,020	586,764
Tourism	76,374	130,707			76,374	130,707
Fire and Police	2,377,177	2,625,299			2,377,177	2,625,299
Streets	601,478	584,326			601,478	584,326
Vehicle Services	122,408	144,654			122,408	144,654
Parks and Recreation	984,708	1,093,298			984,708	1,093,298
Airport	80,000	35,622			80,000	35,622
Water and Wastewater			3,638,994	3,948,939	3,638,994	3,948,939
Solid Waste			1,719,432	1,466,033	1,719,432	1,466,033
Municipal Golf Course			257,574	337,354	257,574	337,354
Housing Program			414,654	459,799	414,654	459,799
Interest Expense and Related Fees	24,499	15,164	487,690	426,658	512,189	441,822
Total Expenses	\$ 5,241,808	\$ 5,702,848	\$ 6,518,344	\$ 6,638,783	\$ 11,760,152	\$ 12,341,631
Change in Net Position Before Transfers	\$ 254,558	\$ (465,964)	\$ 1,878,707	\$ - 893,968	\$ 2,133,265	\$ 428,004
Transfers	510,244	720,732	(510,244)	(720,732)		
Change in Net Position	\$ 764,802	\$ 254,768	\$ 1,368,463	\$ 173,236	\$ 2,133,265	\$ 428,004
Net Position-Beginning	8,679,804	8,425,036	8,369,530	8,196,294	17,049,334	16,621,330
Net Position-Ending	\$ 9,444,606	\$ 8,679,804	\$ 9,737,993	\$ 8,369,530	\$ 19,182,599	\$ 17,049,334

Governmental Activities - Governmental activities resulted in an increase of \$764,802 in the City's net position. Key elements of this increase are as follows:

- Reduction in expenditures.
- Budgeted Transfers from Proprietary Funds to cover administration and payments in lieu of taxes.

Business-Type Activities - Business-type activities increased the City's total net position by \$1,368,463 in the current fiscal year. Key elements of this increase are as follows.

- Positive Net Pension Liability Impact for 2020.
- Transfers to General Fund for Payments in Lieu of Taxes.
- Increase in Charges for Services

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The GASB has defined five types of fund balances, which are more fully described in the footnotes to the financial statements. The City only had restricted and unassigned categories of fund balance in 2020.

As the City completed the 2019-20 year, its governmental funds reported combined ending fund balances of \$4,115,088, representing an increase of \$396,500 from the prior year's balance of \$3,718,588. Unassigned fund balance at the end of the current year is \$3,632,379, as compared to the prior year's unassigned fund balance of \$3,344,084. Unassigned fund balance that is available for spending at the City's discretion amounts to 88.27% of total fund balances.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, Business-Type Activities, but in more detail. Unrestricted net position of the City's enterprise funds at the end of the fiscal year are as follows:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Water and Wastewater	\$ 3,626,919	\$ 2,242,252	\$ 1,384,667
Solid Waste	1,410,989	1,450,440	(39,451)
Municipal Golf Course	<u>(165,489)</u>	<u>(236,645)</u>	<u>71,156</u>
	<u>\$ 4,872,419</u>	<u>\$ 3,456,047</u>	<u>\$ 1,416,372</u>

Unrestricted net position increased by \$1,384,667 in the Water and Wastewater Fund and decreased by \$39,451 in the Solid Waste. The Municipal Golf Course Fund increased due to revenues in excess of expense for 2020.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was an \$347,310 increase in appropriations between the original and final amended budget. The City spent \$1,231,882 less than of appropriations and final revenues came over budgeted amounts by \$47,949.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020 are shown below.

Major capital asset events during the current fiscal year included the following:

- Purchase of a Caterpillar Compactor for the Landfill.

**Table III
CITY OF LAMESA, TEXAS**

CAPITAL ASSETS (NET OF DEPRECIATION) AT SEPTEMBER 30, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 14,988	\$ 14,988	\$ 369,238	\$ 369,238	\$ 384,226	\$ 384,226
Buildings and Improvements	3,201,054	3,303,563	4,747,660	4,895,327	7,948,714	8,198,890
Machinery and Equipment	1,426,727	1,201,591	2,478,216	1,528,265	3,904,943	2,729,856
Infrastructure			4,871,206	5,041,618	4,871,206	5,041,618
Construction in Progress		39,438	167,088		167,088	39,438
	<u>\$ 4,642,769</u>	<u>\$ 4,559,580</u>	<u>\$ 12,633,408</u>	<u>\$ 11,834,448</u>	<u>\$ 17,276,177</u>	<u>\$ 16,394,028</u>

Additional information regarding capital asset activity of the City can be found in the Notes to the Financial Statements.

Long-Term Debt

**Table IV
CITY OF LAMESA, TEXAS**

OUTSTANDING OBLIGATED DEBT AT SEPTEMBER 30, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Serviced by Tax Revenues Notes Payable	\$ 127,844	\$	\$	\$	\$ 127,844	\$ 0
Capital Leases	376,127	517,946			376,127	517,946
Serviced by Enterprise Funds Notes Payable			5,189,157	4,509,002	5,189,157	4,509,002
Capital Leases			2,565,815	2,260,079	2,565,815	2,260,079
CRMWA Bonds			2,541,856	2,847,212	2,541,856	2,847,212
	<u>\$ 503,971</u>	<u>\$ 517,946</u>	<u>\$ 10,296,828</u>	<u>\$ 9,616,293</u>	<u>\$ 10,800,799</u>	<u>\$ 10,134,239</u>

Additional information regarding long-term debt activity of the City can be found in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

To continue to meet fiscal challenges of the future, the City must strengthen its General Fund revenue base, at present consisting primarily of property tax, sales tax and franchise fee revenue. The ending fund balance for the General Fund for September 30, 2020 is \$3,641,623. One of the City's fiscal goals has been for each fund to be totally self-sustaining. The budget for the General Fund has satisfied this goal for 2019-2020, and the budget for 2021-2022 has been created through the same processes.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's finance office, at City of Lamesa, 601 South 1st Street, Lamesa, Texas 79331.

BASIC FINANCIAL STATEMENTS

CITY OF LAMESA, TEXAS

EXHIBIT A-1

STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Lamesa EDC	Lamesa EAP
ASSETS:					
Cash and Cash Equivalents	\$ 5,056,671	\$ 4,815,714	\$ 9,872,385	\$ 1,843,367	\$ 1,058,285
Receivables, Net of Allowances	695,752	672,652	1,368,404		
Intergovernmental Receivables	14,720		14,720		
Due From City				53,017	53,017
Internal Balances	113,863	(113,863)			
Inventory - Supplies	9,244	248,073	257,317		
Inventory - Land				284,835	
Restricted Cash and Cash Equivalents		655,958	655,958		
Notes Receivable					45,859
Prepaid Items	28,700		28,700		
Net Pension Asset	457,634	283,812	741,446	14,514	
Capital Assets, Net of Accumulated Depreciation and Amortization					
Nondepreciable	14,988	536,325	551,313		
Depreciable	4,627,781	12,097,083	16,724,864	92,376	
Water Rights		2,278,200	2,278,200		
Total Assets	\$ 11,019,353	\$ 21,473,954	\$ 32,493,307	\$ 2,288,109	\$ 1,157,161
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Plan - Employer Contribution Deferrals - TMRS	\$ 79,552	\$ 49,336	\$ 128,888	\$ 2,366	\$
Pension Plan - Investment Differences - TESRS	53,027		53,027		
Deferred Charges on Refunding		108,821	108,821		
Total Deferred Outflows of Resources	\$ 132,579	\$ 158,157	\$ 290,736	\$ 2,366	\$ 0
LIABILITIES:					
Accounts Payable and Due to State	\$ 358,473	\$ 3,379	\$ 361,852	\$ 13,935	\$ 155,785
Due to EDC's	106,034		106,034		
Accrued Wages	10,447	13,755	24,202	1,146	
Customer Deposits	14,906	283,900	298,806		
Refunds Payable		21,819	21,819		
Noncurrent Liabilities					
Long-Term Debt Due within One Year	156,643	787,600	944,243	454,399	
Long-Term Debt Due in More Than One Year	420,712	9,970,488	10,391,200	1,159	
Net Pension Liability - TESRS	305,043		305,043		
Closure/Postclosure Landfill Obligation		605,685	605,685		
Total Liabilities	\$ 1,372,258	\$ 11,686,626	\$ 13,058,884	\$ 470,639	\$ 155,785
DEFERRED INFLOWS OF RESOURCES:					
Pension Plan - Experience Differences - TMRS	\$ 10,372	\$ 6,492	\$ 16,864	\$ 276	\$
Pension Plan - Investment Differences - TMRS	317,923	197,169	515,092	11,840	
Pension Plan - Assumption Changes - TMRS	6,275	3,831	10,106	295	
Pension Plan - Experience Differences - TESRS	498		498		
Total Deferred Inflows of Resources	\$ 335,068	\$ 207,492	\$ 542,560	\$ 12,411	\$ 0
NET POSITION:					
Net Investment in Capital Assets	\$ 4,642,769	\$ 4,784,715	\$ 9,427,484	\$ 92,376	\$
Restricted For:					
Enabling Legislation	473,465		473,465		
Closure and Postclosure Care		50,273	50,273		
HUD Programs		30,586	30,586		
Unrestricted	4,328,372	4,872,419	9,200,791	1,715,049	1,001,376
Total Net Position	\$ 9,444,606	\$ 9,737,993	\$ 19,182,599	\$ 1,807,425	\$ 1,001,376

The accompanying notes are an integral part of this statement.

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CITY OF LAMESA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT A-2

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position					
	Fines, Fees, and Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		Primary Government		Component Units			
	Expenses						Governmental Activities	Business-Type Activities	Total	Lamesa EDC	Lamesa EAP	
PRIMARY GOVERNMENT:												
Governmental Activities												
Administration	\$ 583,144	\$ 56,713	\$ 40,726	\$	\$	\$	(485,705)	\$	\$	(485,705)	\$	\$
General Government	392,020	40,242	8,014				(343,764)			(343,764)		
Tourism	76,374						(76,374)			(76,374)		
Fire	728,944		182,342	374,780			(171,822)			(171,822)		
Streets	601,478			248,830			(352,648)			(352,648)		
Vehicle Services	122,408						(122,408)			(122,408)		
Police	1,648,233		2,020				(1,646,213)			(1,646,213)		
Parks and Recreation	984,708		92,950				(891,758)			(891,758)		
Airport	80,000		80,000				0			0		
Interest Expense and Related Fees	24,499						(24,499)			(24,499)		
Total Governmental Activities	\$ 5,241,808	\$ 96,955	\$ 406,052	\$ 623,610	\$	\$	(4,115,191)	\$	\$	(4,115,191)	\$	\$
Business-Type Activities:												
Business-Type Activities												
Water	\$ 3,138,868	\$ 4,056,100	\$	\$	\$	\$	917,232	\$	\$	917,232	\$	\$
Wastewater	500,126	1,605,381					1,105,255			1,105,255		
Solid Waste	1,719,432	1,813,485	165,958				260,011			260,011		
Municipal Golf Course	257,574	240,393					(17,181)			(17,181)		
Housing Program	414,654	427,840					13,186			13,186		
Interest Expense and Related Fees	487,690						(487,690)			(487,690)		
Total Business-Type Activities	\$ 6,518,344	\$ 8,143,199	\$ 165,958	\$	\$	\$	0	\$	\$	1,790,813	\$	\$
Total Primary Government	\$ 11,760,152	\$ 8,240,154	\$ 572,010	\$ 623,610	\$	\$	(4,115,191)	\$	\$	(2,324,378)	\$	\$
Component Units:												
Lamesa Economic Development Corporation	\$ 171,548	\$	\$	\$	\$	\$					\$	(171,548)
Lamesa Economic Alliance Project	227,820											(227,820)
Total Component Units	\$ 399,368	\$	\$	\$	\$	\$					\$	(171,548)
General Revenues:												
Property Taxes			\$ 2,326,435	\$	\$	\$		\$	\$	2,326,435	\$	\$
Sales Taxes			1,189,581							1,189,581		
Gross Receipts Taxes			437,778							437,778		295,984
Motel Occupancy Taxes			121,413							121,413		
Rents and Royalties			15,371							15,371		
Investment Earnings			61,271					58,227		119,498		24,545
Gain (Loss) on Retirement of Assets			45,000					10,991		55,991		
Other			172,900					18,676		191,576		
Transfers			510,244					(510,244)				
Total General Revenue and Transfers			\$ 4,879,983	\$	\$	\$	\$	(422,350)	\$	\$	\$	\$ 320,529
Change in Net Position			\$ 764,802	\$	\$	\$	\$	1,368,463	\$	\$	\$	\$ 185,208
Net Position - Beginning			\$ 8,679,804	\$	\$	\$	\$	8,369,530	\$	\$	\$	\$ 1,622,217
Net Position - Ending			\$ 9,444,606	\$	\$	\$	\$	9,737,993	\$	\$	\$	\$ 1,807,425

The accompanying notes are an integral part of this statement.

CITY OF LAMESA, TEXAS

EXHIBIT A-3

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 3,606,963	\$ 441,660	\$ 4,048,623
Receivables, Net of Allowances	650,347	45,405	695,752
Intergovernmental Receivables	14,720		14,720
Due from Other Funds	49,060		49,060
Inventory	9,244		9,244
Total Assets	<u>\$ 4,330,334</u>	<u>\$ 487,065</u>	<u>\$ 4,817,399</u>
LIABILITIES:			
Accounts Payable	\$ 344,545	\$ 13,600	\$ 358,145
Accrued Payroll Liabilities	10,447		10,447
Due to EDC's	106,034		106,034
Community Building Deposits	14,906		14,906
Total Liabilities	<u>\$ 475,932</u>	<u>\$ 13,600</u>	<u>\$ 489,532</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue	\$ 212,779	\$	\$ 212,779
Total Deferred Inflows of Resources	<u>\$ 212,779</u>	<u>\$ 0</u>	<u>\$ 212,779</u>
FUND BALANCES:			
Nonspendable - Inventory	\$ 9,244	\$	\$ 9,244
Restricted for Enabling Legislation		473,465	473,465
Unassigned	3,632,379		3,632,379
Total Fund Balances	<u>\$ 3,641,623</u>	<u>\$ 473,465</u>	<u>\$ 4,115,088</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,330,334</u>	<u>\$ 487,065</u>	<u>\$ 4,817,399</u>

The accompanying notes are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds Balance Sheet	\$ 4,115,088
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Net Capital assets used in governmental activities are not reported in the funds.	4,642,769
Property taxes receivable and court fines and fees unavailable to pay for current period expenditures are deferred in the funds.	212,779
Payables for debt principal which are not due in the current period are not reported in the funds.	(503,971)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(73,384)
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,101,225
Net Pension Asset and Related Deferred Inflows and Outflows are not reported in the funds - TMRS.	202,616
Net Pension Liability and Related Deferred Inflows and Outflows are not reported in the funds - TESRS.	<u>(252,516)</u>
Net Position of Governmental Activities - Statement of Net Position	\$ <u>9,444,606</u>

The accompanying notes are an integral part of this statement.

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CITY OF LAMESA, TEXAS

EXHIBIT A-5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue:			
Taxes:			
General Property Taxes	\$ 2,307,862	\$	\$ 2,307,862
Sales Taxes	1,189,581		1,189,581
Gross Receipts Business Taxes	434,788	2,990	437,778
Motel Occupancy Taxes		121,413	121,413
Licenses and Permits	35,930		35,930
Fines, Fees, and Forfeits	56,713	4,312	61,025
Investment Earnings	59,822	1,449	61,271
Intergovernmental	592,847	436,815	1,029,662
Rents and Royalties	15,371		15,371
Miscellaneous	172,898	2	172,900
Total Revenues	\$ 4,865,812	\$ 566,981	\$ 5,432,793
Expenditures:			
Current:			
Administration	\$ 545,244	\$ 46,640	\$ 591,884
General Government	409,072		409,072
Tourism		65,895	65,895
Fire	1,131,818		1,131,818
Streets	729,805		729,805
Vehicle Services	86,260		86,260
Police	1,635,258		1,635,258
Parks and Recreation	762,562	60,509	823,071
Airport		80,000	80,000
Debt Service:			
Principal	161,750		161,750
Interest and Fiscal Charges	24,499		24,499
Total Expenditures	\$ 5,486,268	\$ 253,044	\$ 5,739,312
Revenues Over (Under) Expenditures	\$ (620,456)	\$ 313,937	\$ (306,519)
Other Financing Sources:			
Transfers In (Out)	\$ 719,184	\$ (208,940)	\$ 510,244
Capital Lease Proceeds	147,775		147,775
Proceeds from the Sale of Capital Assets	45,000		45,000
Total Other Financing Sources	\$ 911,959	\$ (208,940)	\$ 703,019
Net Change in Fund Balances	\$ 291,503	\$ 104,997	\$ 396,500
Fund Balances - Beginning	3,350,120	368,468	3,718,588
Fund Balances - Ending	\$ 3,641,623	\$ 473,465	\$ 4,115,088

The accompanying notes are an integral part of this statement.

CITY OF LAMESA, TEXAS

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	396,500
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:		
Capital assets are not reported as expenses in the SOA.		655,491
The depreciation of capital assets used in governmental activities is not reported in the funds.		(572,301)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		18,573
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.		161,750
Proceeds from issuance of long-term debt are not recorded as other financing sources in the statement of activities.		(147,775)
The net revenue or expense of internal service funds is reported with governmental activities.		198,011
Pension Expense is not accrued in the funds related to the Net Pension Liability, Deferred Outflow, and Deferred Inflows - TMRS.		(26,327)
Pension Expense is not accrued in the funds related to the Net Pension Liability, Deferred Outflow, and Deferred Inflows - TESRS.		79,034
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		<u>1,846</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>764,802</u></u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020**

	Business-Type Activities - Major Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Water	Wastewater	Solid Waste	Municipal Golf Course	Housing Program		
ASSETS:							
Cash and Cash Equivalents	\$ 2,452,527	\$ 1,159,713	\$ 1,155,649	\$	\$ 47,825	\$ 4,815,714	\$ 1,008,048
Receivables, Net of Allowances	367,375	140,264	164,585	428		672,652	
Due from Other Funds	57,825		75,000			132,825	96,624
Inventory	248,073					248,073	
Prepaid Expenses							28,700
Restricted Assets							
Cash and Cash Equivalents			655,958			655,958	
Total Current Assets	\$ 3,125,800	\$ 1,299,977	\$ 2,051,192	\$ 428	\$ 47,825	\$ 6,525,222	\$ 1,133,372
Noncurrent Assets							
Net Pension Asset	\$ 169,935	\$	\$ 91,816	\$ 22,061	\$	\$ 283,812	\$
Capital Assets, Net of Accumulated Depreciation and Amortization							
Land	50,378	95,541	143,957	79,362		369,238	
Buildings	91,584		376,635	21,532		489,751	
Improvements other than Buildings	4,257,910					4,257,910	
Machinery and Equipment	594,545		1,808,190	75,481		2,478,216	
Infrastructure	4,871,206					4,871,206	
Construction in Progress	12,837	154,250				167,087	
Water Rights	2,278,200					2,278,200	
Total Noncurrent Assets	\$ 12,326,595	\$ 249,791	\$ 2,420,598	\$ 198,436	\$ 0	\$ 15,195,420	\$ 0
Total Assets	\$ 15,452,395	\$ 1,549,768	\$ 4,471,790	\$ 198,864	\$ 47,825	\$ 21,720,642	\$ 1,133,372
DEFERRED OUTFLOWS OF RESOURCES:							
Pension Plan - Employer Contributions	\$ 29,540	\$	\$ 15,961	\$ 3,835	\$	\$ 49,336	\$
Deferred Charges on Refundings	29,277	79,544				108,821	
Total Deferred Outflows of Resources	\$ 58,817	\$ 79,544	\$ 15,961	\$ 3,835	\$ 0	\$ 158,157	\$ 0
LIABILITIES:							
Accounts Payable and Due to State	\$ 3,379	\$	\$	\$	\$	\$ 3,379	\$ 326
Due to Other Funds	75,000			154,449	17,239	246,688	31,821
Refunds Payable	21,819					21,819	
Accrued Payroll Liabilities	5,850	1,917	4,694	1,294		13,755	
Customer Deposits	283,900					283,900	
Current Portion of Long-Term Liabilities							
Compensated Absences	5,661		5,051	4,985		15,697	
Notes and Bonds Payable	323,835	100,000				423,835	
Leases Payable	159,488		167,863	20,717		348,068	
Total Current Liabilities	\$ 678,932	\$ 101,917	\$ 177,608	\$ 181,445	\$ 17,239	\$ 1,357,141	\$ 32,147
Noncurrent Liabilities							
Compensated Absences	\$ 16,982	\$	\$ 15,152	\$ 14,955	\$	\$ 47,089	\$
Notes and Bonds Payable	2,225,738	4,502,941	586,214			7,314,893	
Premium on Notes Payable	54,816	343,658				398,474	
Leases Payable	1,282,861		881,007	46,164		2,210,032	
Landfill Closure and Postclosure			605,685			605,685	
Total Noncurrent Liabilities	\$ 3,580,397	\$ 4,846,599	\$ 2,088,058	\$ 61,119	\$ 0	\$ 10,576,173	\$ 0
Total Liabilities	\$ 4,459,329	\$ 4,948,516	\$ 2,265,666	\$ 242,564	\$ 17,239	\$ 11,933,314	\$ 32,147
DEFERRED INFLOWS OF RESOURCES:							
Pension Plan - Experience Differences	\$ 3,887	\$	\$ 2,100	\$ 505	\$	\$ 6,492	\$
Pension Plan - Assumptions	2,294		1,239	298		3,831	
Pension Plan - Investment Differences	118,056		63,786	15,327		197,169	
Total Deferred Inflows of Resources	\$ 124,237	\$ 0	\$ 67,125	\$ 16,130	\$ 0	\$ 207,492	\$ 0
NET POSITION:							
Net Investment in Capital Assets	\$ 8,334,673	\$ (4,353,150)	\$ 693,698	\$ 109,494	\$	\$ 4,784,715	\$
Restricted For:							
Closure and Postclosure Care			50,273			50,273	
HUD Programs					30,586	30,586	
Unrestricted	2,592,973	1,033,946	1,410,969	(165,489)		4,872,419	1,101,225
Total Net Position	\$ 10,927,646	\$ (3,319,204)	\$ 2,154,960	\$ (55,995)	\$ 30,586	\$ 9,737,993	\$ 1,101,225

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Business-Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Water	Wastewater	Solid Waste	Municipal Golf Course	Housing Program	Totals	
OPERATING REVENUES:							
Water Revenue	\$ 4,056,100	\$	\$	\$	\$	\$ 4,056,100	\$
Wastewater Revenue		1,605,381				1,605,381	
Sanitation Charges			1,813,485			1,813,485	
Municipal Golf Course Fees				240,393		240,393	
Commercial Rentals and Fees					427,840	427,840	
Interdepartmental Billings							881,593
Total Operating Revenues	\$ 4,056,100	\$ 1,605,381	\$ 1,813,485	\$ 240,393	\$ 427,840	\$ 8,143,199	\$ 881,593
OPERATING EXPENSES:							
Housing Assistance Payments	\$	\$	\$	\$	\$ 355,750	\$ 355,750	\$
Personnel Services	823,660	228,448	616,259	154,728		1,823,095	687,546
Supplies	117,825	23,344	85,691	26,813		253,673	
Maintenance	357,331	113,054	258,825	18,038		747,248	
Noncapitalized Equipment			78,910			78,910	
Depreciation and Amortization	970,791		530,363	30,829		1,531,983	
Other Operating	869,261	135,280	149,384	27,166	58,904	1,239,995	
Total Operating Expenses	\$ 3,138,868	\$ 500,126	\$ 1,719,432	\$ 257,574	\$ 414,654	\$ 6,030,654	\$ 687,546
Operating Income (Loss)	\$ 917,232	\$ 1,105,255	\$ 94,053	\$ (17,181)	\$ 13,186	\$ 2,112,545	\$ 194,047
NON-OPERATING REVENUES (EXPENSES):							
Interest Revenue	\$ 34,466	\$ 860	\$ 21,288	\$	\$ 1,613	\$ 58,227	\$ 3,964
Gain (Loss) on Sale of Assets	4,960		6,031			10,991	
Intergovernmental Revenue	12,837		59,895	93,226		165,958	
Miscellaneous Income (Expense)	26,839	(8,163)				18,676	
Bond Issuance Costs		(162,344)				(162,344)	
Interest Expense and Related Fees	(218,017)	(78,195)	(29,122)	(12)		(325,346)	
Total Non-Operating Revenue (Expense)	\$ (138,915)	\$ (247,842)	\$ 58,092	\$ 93,214	\$ 1,613	\$ (233,838)	\$ 3,964
Income (Loss) Before Transfers	\$ 778,317	\$ 857,413	\$ 152,145	\$ 76,033	\$ 14,799	\$ 1,878,707	\$ 198,011
Transfers In (Out)	3,998,231	(4,175,809)	(332,666)			(510,244)	
Change in Net Position	\$ 4,776,548	\$ (3,318,396)	\$ (180,521)	\$ 76,033	\$ 14,799	\$ 1,368,463	\$ 198,011
Total Net Position - Beginning	6,151,098	(808)	2,335,481	(132,028)	15,787	8,369,530	903,214
Total Net Position - Ending	\$ 10,927,646	\$ (3,319,204)	\$ 2,154,960	\$ (55,995)	\$ 30,586	\$ 9,737,993	\$ 1,101,225

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Business-Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Water	Waste Water	Solid Waste	Municipal Golf Course	Housing Program	Total	
Cash Flows from Operating Activities:							
Cash Received from Customers	\$ 4,192,466	\$ 1,465,117	\$ 1,823,729	\$ 240,236	\$ 427,840	\$ 8,149,388	\$ 881,593
Cash Payments for Insurance Policies and Settlements							(715,920)
Cash Payments to Employees for Services	(836,558)	(226,531)	(606,408)	(144,927)	0	(1,814,424)	
Cash Payments for Housing Subsidies					(355,750)	(355,750)	
Cash Payments to Other Suppliers for Goods and Services	(1,341,043)	(271,678)	(572,810)	(72,017)	(69,618)	(2,327,166)	
Net Cash from Operating Activities	\$ 2,014,865	\$ 966,908	\$ 644,511	\$ 23,292	\$ 2,472	\$ 3,652,048	\$ 165,673
Cash Flows from Non-Capital Financing Activities:							
Cash Received from Intergovernmental Contributions	\$ 12,837	\$ 6,911	\$ 59,895	\$ 93,226	\$	\$ 172,869	\$
Miscellaneous Income	26,839	(8,163)				18,676	
Transfers From (To) Other Funds	(67,738)	(23,350)	(332,666)	(80,800)	17,239	(487,315)	63,968
Net Cash from Non-Capital Financing Activities	\$ (28,062)	\$ (24,602)	\$ (272,771)	\$ 12,426	\$ 17,239	\$ (295,770)	\$ 63,968
Cash Flows from Capital and Related Financing Activities:							
Principal and Interest Paid	\$ (947,591)	\$ (172,808)	\$ (394,065)	\$ (25,551)	\$	\$ (1,540,015)	\$
Bond Issuance Costs						(62,504)	
Payment to Refunding Bond Escrow Agent						(177,517)	
Proceeds from the Issuance of Tax Notes			677,599			1,461,225	
Proceeds from Sale of Assets	4,960		6,031			10,991	
Acquisition or Construction of Capital Assets	(354,596)	(154,250)	(685,114)	(10,167)		(1,204,127)	
Net Cash from Capital and Related Financing Activities	\$ (1,297,227)	\$ 216,547	\$ (395,549)	\$ (35,718)	\$ 0	\$ (1,511,947)	\$ 0
Cash Flows from Investing Activities:							
Interest and Dividends on Investments	\$ 34,466	\$ 860	\$ 21,288	\$	\$ 1,613	\$ 58,227	\$ 3,964
Net Cash from Investing Activities	\$ 34,466	\$ 860	\$ 21,288	\$ 0	\$ 1,613	\$ 58,227	\$ 3,964
Change in Cash and Cash Equivalents	\$ 724,042	\$ 1,159,713	\$ (2,521)	\$ 0	\$ 21,324	\$ 1,902,558	\$ 233,605
Cash and Cash Equivalents - Beginning of Year	<u>1,728,485</u>	<u>0</u>	<u>1,814,128</u>	<u>0</u>	<u>26,501</u>	<u>3,569,114</u>	<u>774,443</u>
Cash and Cash Equivalents - End of Year	\$ 2,452,527	\$ 1,159,713	\$ 1,811,607	\$ 0	\$ 47,825	\$ 5,471,672	\$ 1,008,048
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:							
Operating Income (Loss)	\$ 917,232	\$ 1,105,255	\$ 94,053	\$ (17,181)	\$ 13,186	\$ 2,112,545	\$ 194,047
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities							
Depreciation and Amortization	\$ 970,791	\$	\$ 530,363	\$ 30,829	\$	\$ 1,531,983	\$
Change in Assets and Liabilities:							
Decrease (Increase) in Receivables	115,404	(140,264)	10,244	(157)		(14,773)	
Decrease (Increase) in Inventory	3,049					3,049	
Decrease (Increase) in Prepaid Expenses							(28,700)
Decrease (Increase) in Net Pension Asset	(290,823)		(165,423)	(38,740)		(494,986)	
Decrease (Increase) in Deferred Outflows	(4,208)		(536)	(340)		(5,084)	
Increase (Decrease) in Accounts Payable and Due to State	325				(10,714)	(10,389)	326
Increase (Decrease) in Refunds Payable	7,922					7,922	
Increase (Decrease) in Customer Deposits	13,040					13,040	
Increase (Decrease) in Accrued Expenses	(20,418)	1,917	112	8,149		(10,240)	
Increase (Decrease) in Deferred Inflows	302,551		175,698	40,732		518,981	
Total Adjustments	\$ 1,097,633	\$ (138,347)	\$ 550,458	\$ 40,473	\$ (10,714)	\$ 1,539,503	\$ (28,374)
Net Cash from Operating Activities	\$ 2,014,865	\$ 966,908	\$ 644,511	\$ 23,292	\$ 2,472	\$ 3,652,048	\$ 165,673

Non-Cash Financing Activities:

The City received capital lease proceeds in the amount of \$758,915 for the Solid Waste Fund for the addition of capital lease assets.
 The City issued refunding bonds in the amount of \$3,925,000 for the Wastewater Fund during the year.
 The refunding bonds defeased \$4,248,000 of Wastewater Revenue Bonds. These bonds were transferred to the Wastewater Fund from the Water Fund during the year.
 The City Transferred \$95,541 of Assets from Water Fund to the Wastewater Fund during the year.

The accompanying notes are an integral part of this statement.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

The City of Lamesa, Texas' (the City) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

1. Reporting Entity

The City is a municipal corporation governed by a Council - City Manager form of government. The City incorporated in 1917. The City provides a range of services, including tourism, general and administrative, airport, police and fire protection, maintenance of streets and other infrastructure, and recreational activities. The City also provides utilities for water, sewer, and solid waste, as well as operating the municipal golf course and providing housing assistance to local residents.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City Council. The City Council (the Council) is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The Council also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its Statement No. 61, *The Financial Reporting Entity*.

GASB Statement No. 61 identifies criteria for determining if other entities are potential component units that should be reported within the City's basic financial statements. The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading. Based on the application of these criteria, two component units, Lamesa Economic Development Corporation (LEDC) and Lamesa Economic Alliance Project (LEAP), are included within the reporting City. The City is financially accountable for the Corporation, establishes the sales tax that is the principal source of revenue for the Corporation, and appoints the Board of Directors. This component unit has been discretely presented in the accompanying financial statements. Complete financial statements for the component units can be obtained from their office at 123 Main Avenue, Lamesa, Texas 79331.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities.

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: the fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City also reports nonmajor governmental fund types:

Special Revenue: The City accounts for funds received or charged that are restricted by third parties in these accounts.

The City reports the following major enterprise funds:

Water and Wastewater Funds: These funds account for the revenues and expenses associated with providing water and sewer service to the citizens of the City.

Solid Waste Fund: This fund accounts for the revenues and expenses associated with providing solid waste service to the citizens of the City.

Municipal Golf Course: This fund accounts for the revenues and expenses associated operating the municipal golf course as a service to the citizens of the City.

Housing Program: This fund accounts for the revenues and expenses associated with the City operated housing assistance program.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Additionally, the City reports an Internal Service Fund which is used to account for workers' compensation insurance, property insurance, and self-funded health insurance provided to the departments of the city.

Fund Balances

The City reports fund balances under GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-spendable fund balance—includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or prepaids) or because they must remain in-tact such as the principal of an endowment.

Restricted fund balance—includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.

Committed fund balance—includes the portion of net resources upon which the City Council has imposed limitations on use. These are amounts that can be used only for the specific purposes determined by a *formal action* of the City Council. Commitments may be changed or lifted only by the Council taking the same *formal action* that originally imposed the constraint. The *formal action* must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

Assigned fund balance—includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. Assignments of fund balances are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance—includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Fund Balance Policy

Committed Fund Balance—The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City's Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period (i.e. the Council may approve the calculation or formula for determining the amount to be committed).

Assigned Fund Balance—The City Council authorizes the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose as approved by this fund balance policy.

Order of Expenditure of Funds

When multiple categories of fund balances are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds, but also reserves the right to deviate from this general strategy when appropriate.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 45 days after year-end. Revenues from local sources consist primarily of property taxes, franchise taxes, and gross receipts taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash in bank, restricted cash, and certificates of deposit are considered to be cash equivalents.

Restricted Cash and Cash Equivalents consisted of funds restricted for closure and post closure obligations related to the City's landfill operations recorded in the Solid Waste Fund. As of September 30, 2020, the restricted balance was \$655,958.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Inventory – Supplies

Inventory is valued at the lower of FIFO cost (first in, first out) or market. Inventory in the Water and Wastewater Fund consists of supplies held for future use.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Classes	Estimated Useful Lives (Years)
Buildings	20-50
Improvements Other than Buildings	20
Machinery and Equipment	5-10
Infrastructure	20-50

f. Receivable Balances

Receivables as of year-end for the City's individual major funds and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Customer Accounts	\$	\$ 353,504	\$ 353,504
Unbilled Revenue		447,238	447,238
Property Taxes	408,190		408,190
Franchise Fees	107,188		107,188
Hotel Occupancy Taxes	45,405		45,405
Sales Tax	325,511		325,511
Paving Liens	196,455		196,455
Other	6,339		6,339
Gross Receivables	\$ 1,089,088	\$ 800,742	\$ 1,889,830
Less: Allowance for Uncollectibles	(393,336)	(128,090)	(521,426)
Net Total Receivables	\$ 695,752	\$ 672,652	\$ 1,368,404

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

g. Deferred Inflows of Resources Reported in the Governmental Funds

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. As of September 30, 2020, the City reported unavailable revenue from property taxes in the amount of \$167,628 and unavailable revenue in the amount of \$45,151 from municipal court receivables.

h. Deferred Inflows and Outflows of Resources in the Statement of Net Position

In addition to assets and liabilities, the statements of net position will sometimes report a separate sections for deferred inflows and outflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The amounts reported by the City in this section of the government-wide statement of net position all related to pension plans reported by the county, except for deferred charges on refunding as recognized by the City in prior periods. The deferred charge is related to a bond refunding on Canadian River Municipal Water Authority (CRMWA) and is being amortized to interest expense over the life of the new bond issuance. As of September 30, 2020, the City reported \$108,821 as unamortized deferred charges on refunding. For more information on the pension related deferred inflows and outflows of resources, see their respective notes.

i. Compensated Absences

Compensated absences (general leave) for the City includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid for any accrued general leave earned as set forth by personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

j. Revenues

Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue. The City also recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements related to grants, including time requirements, are met. The City records revenue earned but unbilled related to water and wastewater and solid waste utilities, this amount is reported as accounts receivable in the financial statements with the details disclosed in the notes. Resources transmitted before the eligibility requirements are met are reported as cash paid in advance by the provider and deferred inflows of resources by the City.

k. Expenditures

Expenditures are recognized when the related fund liability is incurred. In accordance with GASB 63 and 65, any loss on bond refunding is recognized as a deferred outflow of resources on the statement of net position and amortized over the life of the refunding bonds. In addition, bond issue costs are immediately expensed.

l. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Transfers and Interfund Payables and Receivables are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

m. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

n. Encumbrances

The City does not utilize an encumbrance accounting system. At year-end, the City reviews commitments to determine amounts encumbered. At September 30, 2020, there were no material commitments to be indicated by a reserve in the general fund balance.

B. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

1. Cash and Cash Equivalents

At September 30, 2020, the carrying amount of the City's cash and cash equivalents (including restricted) was \$10,528,343. The balances includes cash in bank of \$5,107,238, \$100,665 invested in TexStar, \$4,936,538 invested in certificate of deposits, and \$655,958 of restricted certificates of deposit. The City's cash and cash equivalents at September 30, 2020, and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

3. Analysis of Specific Deposit and Investment Risks

Standards require a determination as to whether the City was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At year end, the City's investments were not exposed to credit risk.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City's only investments were certificates of deposit which were fully covered by pledge collateral at year end.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

C. Due to EDC's and Due from City

The City recorded a liability to the component units in the amount of \$106,034 for sales taxes not passed through as of September 30, 2020.

D. Water Rights and Related Debt with CRMWA

The City, along with several West Texas municipalities, entered into various contracts with the Canadian River Municipal Water Authority, to participate in the construction and maintenance of water gathering, holding, treatment, and transmission facilities. Under the agreements, CRMWA agreed to issue revenue bonds to finance construction and maintenance of the facilities and the City agreed to pay back their share of the total annual debt service requirements.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

The following schedules comprise the debt outstanding related to the CRMWA contracts as September 30, 2020:

Water Facilities Debt	Balance 10/1/2019	Additions	Principal Payments	Balance 9/30/2020
Series 2010, Refunding, CUP	\$ 14,335	\$	\$ 14,335	\$
Series 2012, Refunding, BUREC	840,034		99,286	740,748
Series 2017, Refunding CUP	224,846		14,827	210,019
Series 2011, Refunding, CUP	1,256,243		85,809	1,170,434
Series 2014, Refunding, CUP	511,754		91,099	420,655
	<u>\$ 2,847,212</u>	<u>\$ 0</u>	<u>\$ 305,356</u>	<u>\$ 2,541,856</u>

Water Facilities Debt	Maturity	Interest Rates
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2006	2020	2.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2017	2029	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2010	2021	3.0%-3.5%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2011	2031	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2012	2025	2.6%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2014	2027	2.0%-5.0%

The City paid \$136,777 in interest related to this debt for the year ended September 30, 2020.

Debt service requirements on all long-term debt outstanding at September 30, 2020, are as follows:

Year Ending September 30,	CMRWA		
	Principal	Interest	Total
2021	\$ 323,254	\$ 176,520	\$ 499,774
2022	339,147	106,665	445,812
2023	356,598	89,960	446,558
2024	374,746	72,209	446,955
2025	281,907	53,472	335,379
2026-2030	819,212	111,625	930,837
2031-2032	46,992	2,030	49,022
Totals	<u>\$ 2,541,856</u>	<u>\$ 612,481</u>	<u>\$ 3,154,337</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Investment in water facilities at cost as of September 30, 2020 is as follows:

Cost:	<u>Beginning</u>	<u>Additions</u>	<u>Deletions/Other</u>	<u>Ending</u>
CRMWA - Water Rights	\$ 6,680,247	\$	\$	\$ 6,680,247
Accumulated Amortization:				
CRMWA - Water Rights	<u>(4,058,014)</u>	<u>(344,033)</u>		<u>(4,402,047)</u>
Net Investment in Water Facilities	<u>\$ 2,622,233</u>	<u>\$ (344,033)</u>	<u>\$ 0</u>	<u>\$ 2,278,200</u>
Total Related Debt:				\$ 2,541,856
Excess Debt over Related Water Rights				<u>\$ (263,656)</u>

E. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

Governmental Activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 14,988	\$	\$	\$ 14,988
Construction in Progress	<u>39,437</u>	<u>(39,437)</u>		<u>0</u>
Total Capital Assets Not Being Depreciated	<u>\$ 54,425</u>	<u>\$ (39,437)</u>	<u>\$ 0</u>	<u>\$ 14,988</u>
Depreciable Assets				
Buildings	\$ 2,583,113	\$ 96,345	\$	\$ 2,679,458
Improvements Other than Buildings	2,197,982			2,197,982
Machinery and Equipment	<u>4,246,956</u>	<u>598,583</u>		<u>4,845,539</u>
Total Capital Assets Being Depreciated	<u>\$ 9,028,051</u>	<u>\$ 694,928</u>	<u>\$ 0</u>	<u>\$ 9,722,979</u>
Less Accumulated Depreciation for:				
Buildings	\$ 689,140	\$ 92,214	\$	\$ 781,354
Improvements Other than Buildings	788,392	106,640		895,032
Machinery and Equipment	<u>3,045,365</u>	<u>373,447</u>		<u>3,418,812</u>
Total Accumulated Depreciation	<u>\$ 4,522,897</u>	<u>\$ 572,301</u>	<u>\$ 0</u>	<u>\$ 5,095,198</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 4,505,154</u>	<u>\$ 122,627</u>	<u>\$ 0</u>	<u>\$ 4,627,781</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,559,579</u>	<u>\$ 83,190</u>	<u>\$ 0</u>	<u>\$ 4,642,769</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Depreciation was charged to the governmental activities as follows:

Administration	\$ 11,118
General Government	36,173
Tourism	12,863
Fire	94,782
Streets	96,592
Vehicle Services	50,419
Police	82,231
Parks and Recreation	188,123
Total Depreciation	<u>\$ 572,301</u>

Business-Type Activities:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 369,238	\$	\$	\$ 369,238
Construction in Progress		167,088		167,088
Total Capital Assets Not Being Depreciated	<u>\$ 369,238</u>	<u>\$ 167,088</u>	<u>\$ 0</u>	<u>\$ 536,326</u>
Depreciable Assets				
Buildings	\$ 2,572,548	\$ 27,087	\$	\$ 2,599,635
Improvements other than Buildings	10,292,586	256,997		10,549,583
Machinery and Equipment	8,062,956	1,511,871		9,574,827
Infrastructure	<u>6,816,493</u>			<u>6,816,493</u>
Total Capital Assets Being Depreciated	<u>\$ 27,744,583</u>	<u>\$ 1,795,955</u>	<u>\$ 0</u>	<u>\$ 29,540,538</u>
Less Accumulated Depreciation for:				
Buildings	\$ 2,009,524	\$ 100,362	\$	\$ 2,109,886
Improvements other than Buildings	5,960,285	331,387		6,291,672
Machinery and Equipment	6,534,691	561,920		7,096,611
Infrastructure	<u>1,774,875</u>	<u>170,412</u>		<u>1,945,287</u>
Total Accumulated Depreciation	<u>\$ 16,279,375</u>	<u>\$ 1,164,081</u>	<u>\$ 0</u>	<u>\$ 17,443,456</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 11,465,208</u>	<u>\$ 631,874</u>	<u>\$ 0</u>	<u>\$ 12,097,082</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,834,446</u>	<u>\$ 798,962</u>	<u>\$ 0</u>	<u>\$ 12,633,408</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

F. Noncurrent Liabilities

1. Noncurrent Liabilities Activity

Noncurrent liabilities include debt, net pension liability, and accrued compensated absences. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$	\$ 147,775	\$ 19,931	\$ 127,844	\$
Capital Leases	517,946		141,819	376,127	138,297
Compensated Absences	75,230		1,846	73,384	18,346
Total Governmental Activities	\$ 593,176	\$ 147,775	\$ 163,596	\$ 577,355	\$ 156,643
Business-Type Activities:					
Notes Payable	\$ 4,509,002	\$ 5,386,225	\$ 4,706,070	\$ 5,189,157	\$ 100,000
CRMWA Bonds Payable	2,847,212		305,356	2,541,856	323,835
Bond Issuance Premiums	63,952	356,875	22,353	398,474	
Capital Leases	2,260,079	758,915	453,179	2,565,815	348,068
Compensated Absences	81,954		19,169	62,786	15,697
Total Business-Type Activities	\$ 9,762,199	\$ 6,502,015	\$ 5,506,127	\$ 10,758,088	\$ 787,600

The City also amortized \$7,938 of deferred charges on refunding to interest expense during the year ended September 30, 2020.

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated Absences	Governmental	General
Compensated Absences	Business-Type	Proprietary
Closure and Post Closure Costs	Governmental	Proprietary
Net Pension Liability	Governmental	General
Net Pension Liability	Business-Type	Proprietary

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

The issues dates, maturity dates, and interest rates applicable for notes payable and capital leases are as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding</u>
Governmental Activities:					
Notes Payable:					
Tax Note 2019	10/1/2019	\$ 147,775	1.94%	10/15/2026	\$ 127,844
Capital Leases:					
2017 Dump Truck	7/10/2017	94,676	3.10%	2/28/2022	39,229
2017 Toro Mower	5/5/2017	35,096	0.00%	5/5/2022	9,681
2018 Tahoe Police Cruiser	4/5/2018	54,221	5.92%	4/5/2021	13,144
2018 Fire Truck	6/1/2018	125,000	4.75%	2/15/2023	77,369
3 Kubota Mowers	10/1/2018	54,199	3.33%	10/1/2022	29,127
2 2019 Tahoe Police Cruisers	1/31/2019	128,000	4.24%	1/31/2023	97,964
Chevrolet Silverado	1/14/2019	28,063	5.26%	1/14/2023	20,483
2 Chevrolet Silverardos	1/14/2019	32,635	5.26%	1/14/2023	23,444
2 Chevrolet Silverardos	1/14/2019	63,328	5.26%	1/14/2023	45,528
2 Chevrolet Silverardos	1/14/2019	28,490	5.26%	1/14/2023	20,158
		<u>\$ 812,483</u>			<u>\$ 503,971</u>

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding</u>
Business-Type Activities:					
Notes Payable:					
Series 2019 - G.O. Refunding Bonds	11/21/2006	\$ 3,925,000	4.25%	12/1/2014	\$ 3,925,000
Tax Note 2019	10/1/2019	1,461,225	1.94%	10/15/2026	1,264,155
Capital Leases:					
AAIG Water Meter Lease	4/28/2017	1,790,371	3.37%	5/1/2029	1,382,281
924K Caterpillar Wheel Loader	5/6/2015	145,110	2.75%	5/31/2022	89,372
2017 CAT Backhoe Loader	3/1/2017	87,490	3.20%	2/1/2022	36,659
2017 Golf Carts	4/13/2017	85,680	3.49%	4/22/2017	45,503
2017 Toro Mower	6/5/2017	61,080	0.00%	6/5/2022	21,378
2018 Refuse Truck with Sideloader	10/1/2017	215,526	5.26%	3/30/2022	89,397
Caterpillar Compactor	3/5/2020	758,915	3.35%	3/5/2027	657,585
2 Chevrolet Silverardos	1/14/2019	32,635	5.26%	1/14/2023	23,442
2 Chevrolet Silverardos	1/14/2019	42,734	5.26%	1/14/2023	31,124
Skid Steer	3/1/2019	42,970	5.23%	12/1/2021	28,768
Motor Grader 2019	2/4/2019	188,228	5.05%	9/1/2023	160,307
		<u>\$ 9,254,358</u>			<u>\$ 7,754,971</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. Debt Service Requirements

Debt service requirements on notes payable as of September 30, 2020, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$	\$ 2,673	\$ 2,673
2022	20,297	2,283	22,580
2023	20,665	1,885	22,550
2024	21,124	1,481	22,605
2025	21,491	1,067	22,558
2026-2027	44,267	216	44,483
Totals	\$ 127,844	\$ 9,605	\$ 137,449

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 100,000	\$ 161,424	\$ 261,424
2022	300,703	154,565	455,268
2023	304,335	147,636	451,971
2024	313,876	140,553	454,429
2025	322,509	133,241	455,750
2026-2030	1,032,732	569,840	1,602,572
2031-2035	700,000	357,938	1,057,938
2036-2040	860,000	292,538	1,152,538
2044-2045	1,030,000	122,200	1,152,200
2046	225,000	3,656	228,656
Totals	\$ 5,189,155	\$ 2,083,591	\$ 7,272,746

3. Capital Leases

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Small Equipment	\$ 89,295	\$ 1,589,064
Vehicles	491,764	75,369
Heavy Equipment	94,676	1,413,907
Less: Accumulated Depreciation	(280,005)	(1,957,136)
Totals	\$ 395,730	\$ 1,121,204

During the year ended September 30, 2020, capital lease assets accounted for \$124,634 and \$326,202 of depreciation expense for governmental and business-type activities, respectively.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2020, as follows:

Year Ending September 30, 2020	Governmental Activities		
	Principal	Interest	Total
2021	\$ 138,297	\$ 17,032	\$ 155,329
2022	126,045	10,162	136,207
2023	94,790	4,857	99,647
2024	16,995	3,953	20,948
Total Minimum Rentals	\$ 376,127	\$ 36,004	\$ 412,131

Year Ending September 30, 2020	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 348,068	\$ 91,413	\$ 439,481
2022	426,804	77,930	504,734
2023	266,746	63,973	330,719
2024	378,865	50,590	429,455
2025	242,891	40,958	283,849
2026-2029	902,441	79,134	981,575
Total Minimum Rentals	\$ 2,565,815	\$ 403,998	\$ 2,969,813

4. Bond Refunding

The City refunded the Series 2006, Combination Tax & Combination Water and Wastewater System Revenue Certificates of Obligation in the amount of \$4,248,000 with General Obligation Refunding Bonds, Series 2019 in the amount of \$3,925,000. The City used \$4,330,603 of the proceeds to retire the old bonds. The refunding was undertaken to reduce debt service payments over the next 26 years by \$886,091 and resulted in an economic gain of \$654,016.

General stuff

G. Pension Plans

Texas Municipal Retirement System (TMRS)

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75.00% of the member's deposits and interest.

Currently the City has adopted the following provisions related to the pension plan:

	<u>December 31, 2019</u>
Employee Deposit Rate	7.00%
Matching Ratio (City to Employee)	1.5 to 1
Years Required for Vesting	5
Service Requirement Eligibility (Expressed as Age / Years of Service)	60/5,0/25
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	58
Inactive Employees Entitled to but not Yet Receiving Benefits	71
Active Employees	<u>75</u>
Total Plan Employees	<u><u>204</u></u>

Contributions

The contribution rates for employees in TMRS are either 5.00%, 6.00%, or 7.00% of employee gross earnings, and the City matching percentages are either 100.00%, 150.00%, or 200.00%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The required contribution rate for the City was 4.45% and 4.76% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$165,273, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Asset (NPA) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the NPA was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Amortization Period	N/A

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Asset/Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension (Liability)/Asset</u>
Balance 12/31/2018	\$ 15,711,140	\$ 15,165,541	\$ (545,599)
Service Cost	417,905		(417,905)
Interest (on the Total Pension Liability)	1,031,274		(1,031,274)
Changes in Proportionate Share	(1,346)		1,346
Difference Between Expected and Actual Experience	(24,788)		24,788
Changes of Assumptions	(15,085)		15,085
Contributions - Employee		153,599	153,599
Contributions - Employer		241,618	241,618
Net Investment Income		2,313,286	2,313,286
Benefit Payments	(960,081)	(960,081)	
Administrative Expense		(13,105)	(13,105)
Other		(393)	(393)
Balance 12/31/2019	\$ <u>16,159,019</u>	\$ <u>16,900,465</u>	\$ <u>741,446</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Net Pension Asset/(Liability) to Changes in the Discount Rate

The following presents the net pension asset/(liability) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1% Decrease</u>		<u>Current Rate Assumption</u>		<u>1% Increase</u>
\$	1,056,735	\$	741,446	\$	(2,249,330)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense, Deferred Outflows, and Deferred Inflows Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$213,120 and calculated as shown below:

Total Service Cost	\$	417,905
Interest on the Total Pension Liability		1,031,274
Employee Contributions (Reduction of Expense)		(242,767)
Projected Earnings on Plan Investments (Reduction of Expense)		(1,012,708)
Administrative Expense		13,105
Other Changes in Fiduciary Net Position		393
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		(41,938)
Recognition of Current Year Outflow (Inflow) of Resources-Assets		47,856
Total Pension Expense	\$	<u>213,120</u>

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows and Inflows of Resources - Pension Plan</u>	<u>Plan Year</u>	<u>Amount</u>	<u>Amortization Period</u>
Employer Contribution Deferrals	2019	\$ 128,887	1.000
Differences Between Projected and Actual Investment Earnings	2017	(417,013)	2.000
Differences Between Projected and Actual Investment Earnings	2018	942,374	3.000
Differences Between Projected and Actual Investment Earnings	2019	(1,040,453)	4.000
Changes in Assumptions	2019	(10,106)	2.030
Differences Between Expected and Actual Economic Experience	2017	(7,846)	0.028
Differences Between Expected and Actual Economic Experience	2018	7,589	1.180
Differences Between Expected and Actual Economic Experience	2019	(16,607)	2.030
Total Deferred Outflows and Inflows of Resources		\$ <u>(413,175)</u>	

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year	Amortization of Deferred Outflows
2020	\$ (40,282)
2021	(166,489)
2022	53,714
2023	(260,118)
	\$ (413,175)

Texas Emergency Services Retirement System (TESRS)

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the Texas Emergency Services Retirement System (TESRS) and established and administered by the State of Texas (the "State") to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2019, there were 238 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2019, the pension system membership consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	3,649
Inactive Employees Entitled to but not Yet Receiving Benefits	1,842
Active Employees	<u>3,702</u>
Total Plan Employees	<u><u>9,193</u></u>

Pension Plan Fiduciary Net Position

Detailed information about TESRS's fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, and can be obtained at www.tesrs.org. The separately issued actuarial valuations that may be of interest are also available at the same link.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic post-retirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the TESRS contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make TESRS "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2018, the Part Two contribution rate was changed to 2.0%, which will be established by a board rule in September 2017, since the second actuarial valuation report after adoption of the rules showed TESRS to not have adequate contribution arrangements if Part Two contributions were excluded.

Additional contributions may be made by governing bodies within two years of joining TESRS to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in TESRS.

A small subset of participating departments has a different contribution arrangement that is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2019, total contributions (dues, prior service, and interest on prior service financing) of \$48,224 were paid by the City. The State appropriated \$1,329,224 for the fiscal year ending August 31, 2019 to the plan as a whole.

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation
Amortization Period	30 years
Actuarial Valuation Date	August 31, 2019

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.26% for adverse deviation.

The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Large Cap Domestic	32.00%	5.81%
Small Cap Domestic	15.00%	5.92%
Developed International	15.00%	6.21%
Emerging Markets	5.00%	7.18%
Master Limited Partnership	5.00%	7.61%
Real Estate	5.00%	4.46%
Fixed Income	23.00%	1.61%

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the TPL was 7.75%. The projection of cash flows used to determine the discount rate assumed that department and state contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability and Discount Rate Sensitivity Analysis

The following table shows changes in the net pension liability from August 31, 2018 to August 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance 08/31/2018	\$ 1,997,699	\$ 1,683,179	\$ (314,520)
Service Cost	20,080		(20,080)
Interest (on the Total Pension Liability)	113,564		(113,564)
Changes in Proportionate Share	(517,829)	(398,846)	118,983
Contributions by State		14,305	14,305
Net Investment Income		12,274	12,274
Benefit Payments	(69,218)	(69,218)	
Administrative Expense		(2,441)	(2,441)
Balance 08/31/2019	\$ 1,544,296	\$ 1,239,253	\$ (305,043)

The following presents the net pension liability (NPL) of the City, calculated using the discount rate of 7.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease	Current Rate Assumption	1% Increase
\$	542,166	305,043	146,316

Pension Expense, Deferred Outflows, and Deferred Inflows Related to Pensions

At August 31, 2019, the City reported a liability of \$305,043 for its proportionate share of TESRS's NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's Proportionate Share of the Collective Net Pension Liability	\$ 305,043
* State's Proportionate Share that is Associated with the City	114,286
	\$ 419,329

*Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective net pension liability.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019. GASB Statement No. 68 requires the NPL to be measure as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward (nor did they provide the necessary information to for the participants to roll forward) the NPL to be measured as of date no earlier than the end of the employer's prior fiscal year. While the City acknowledges that the measurement date does not fall with in this 12 month period, the City elected to use conservatism and report the NPL measured as of August 31, 2019. The City used the assumption that any differences in the NPL measured as of August 31, 2019 versus September 30, 2020 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 to August 31, 2019.

At August 31, 2019, the employer's proportion of the collective NPL was 1.2457%.

There were no changes of assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the year ended August 31, 2019, the City recognized pension expense of \$97,574.

Total Service Cost	\$	27,106
Interest on the Total Pension Liability		153,300
Projected Earnings on Plan Investments (Reduction of Expense)		(128,847)
Administrative Expense		3,295
Amortization of Deferred Outflows (Inflows):		
Differences Between Projected and Actual Investment Earnings		41,868
Differences Between Expected and Actual Economic Experience		(323)
Changes in Assumptions and Benefit Terms		1,175
Total Pension Expense	\$	<u>97,574</u>

At August 31, 2019, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources - Pension Plan</u>		<u>Deferred (Inflows) and Outflows</u>
Differences Between Projected and Actual Investment Earnings	\$	53,027
Differences Between Expected and Actual Economic Experience		(498)
Total Deferred Outflows of Resources	\$	<u>52,529</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year	Amortization of Deferred Outflows
2020	\$ 11,179
2021	5,861
2022	13,034
2023	22,455
	\$ 52,529

H. Closure and Post Closure Care Cost

State and federal laws and regulations require the City to place a final cover on its Sanitary Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$605,685 reported as landfill closure and post closure care liability at September 30, 2020, represents the cumulative amount reported to date based on the use of 41.52% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$852,945 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care at September 30, 2020. Actual costs in the future may be higher due to inflation, changes in technology, or changes in regulations. The City has restricted cash equivalents in the amount of \$655,958 to cover the landfill closure and post closure care liability at September 30, 2020.

I. Transfers and Internal Balances

Transfers for the year ended September 30, 2020 were as follows:

Transfers Out	Transfers In	Amount Transferred In/Out	Reason
Water and Wastewater	General	\$ 208,940	Payments in Lieu of Taxes
Proprietary Funds	Internal Service	301,304	Administration Fees
		\$ 510,244	

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Internal balances for the year ended September 30, 2020 were as follows:

<u>Payable</u>	<u>Receivable</u>	Amount Payable/ Receivable	<u>Reason</u>
General	Grants Fund	\$ 49,060	Unreimbursed year end accruals
Proprietary Funds	General Fund	64,803	Short Term Loan for Renovations
		<u>\$ 113,863</u>	

J. Commitments, Contingencies, Litigation, and Subsequent Events

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

There is no pending litigation against the City as of September 30, 2020, that would have material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

-47-
CITY OF LAMESA, TEXAS
DEFINED BENEFIT RETIREMENT PLAN - TMRS

EXHIBIT B-1

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>
Service Cost	\$ 282,891	\$ 347,047	\$ 365,200	\$ 378,238	\$ 402,028	\$ 417,905
Interest	942,356	952,107	957,835	979,170	1,000,983	1,031,274
Benefit Payments	(936,288)	(838,328)	(863,787)	(1,034,312)	(1,035,570)	(960,081)
Differences Between Expected and Actual Experience	(58,046)	(210,717)	(41,952)	(91,907)	20,450	(24,788)
Changes in Assumptions		378,081				(15,085)
Changes in Proportionate Share		12,187	107	(339)	(5,220)	(1,346)
Net Change	\$ 230,913	\$ 640,377	\$ 437,403	\$ 230,850	\$ 382,671	\$ 447,879
Beginning Balance	<u>13,788,926</u>	<u>14,019,839</u>	<u>14,660,216</u>	<u>15,097,619</u>	<u>15,328,469</u>	<u>15,711,140</u>
Ending Balance	\$ 14,019,839	\$ 14,660,216	\$ 15,097,619	\$ 15,328,469	\$ 15,711,140	\$ 16,159,019
	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>
Employee Contributions	\$ 111,570	\$ 123,611	\$ 115,147	\$ 129,241	\$ 157,272	\$ 153,599
Employer Contributions	206,611	230,866	223,767	220,642	233,737	241,618
Net Investment Income	845,908	21,871	965,856	2,034,774	(482,183)	2,313,286
Benefit Payments	(936,288)	(838,328)	(863,787)	(1,034,312)	(1,035,570)	(960,081)
Administration Expenses	(8,834)	(13,323)	(10,921)	(10,558)	(9,335)	(13,105)
Other	(727)	(658)	(588)	(535)	(493)	(393)
Net Change	\$ 218,240	\$ (475,961)	\$ 429,474	\$ 1,339,252	\$ (1,136,572)	\$ 1,734,924
Beginning Balance	<u>14,791,108</u>	<u>15,009,348</u>	<u>14,533,387</u>	<u>14,962,861</u>	<u>16,302,113</u>	<u>15,165,541</u>
Ending Balance	\$ 15,009,348	\$ 14,533,387	\$ 14,962,861	\$ 16,302,113	\$ 15,165,541	\$ 16,900,465
Net Pension Liability (Asset)	\$ (989,509)	\$ 126,829	\$ 134,758	\$ (973,644)	\$ 545,599	\$ (741,446)
Fiduciary Net Position as a Percentage of Total Pension Liability	107.06%	99.13%	99.11%	106.35%	96.53%	104.59%
Covered Payroll	\$ 2,951,577	\$ 3,018,839	\$ 3,196,675	\$ 3,152,025	\$ 3,339,101	\$ 3,451,681
Net Pension Liability as a Percentage of Covered Payroll	-33.52%	4.20%	4.22%	-30.89%	16.34%	-21.48%

Note: Only six years of GASB 68 data available as of 12/31/2019. The remaining four years of data will be built on a go forward basis.

CITY OF LAMESA, TEXAS
 DEFINED BENEFIT RETIREMENT PLAN - TMRS

EXHIBIT B-2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
 SEPTEMBER 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
Actuarially Determined Contribution	\$ 108,392	\$ 115,527	\$ 126,561	\$ 151,708	\$ 160,475	\$ 165,273
Actual Contributions	108,392	131,856	126,561	151,708	160,475	165,273
Contribution Deficiency (Excess)	<u>0</u>	<u>(16,329)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cover Payroll	\$ 2,951,577	\$ 3,173,266	\$ 3,117,705	\$ 3,408,655	\$ 3,552,511	\$ 3,525,362
Contributions as a Percentage of Covered Employee Payroll	3.67%	4.16%	4.06%	4.45%	4.52%	4.69%

Note: Only six years of GASB 68 data available as of 09/30/2020. The remaining four years of data will be built on a go forward basis.

CITY OF LAMESA, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2020

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF LAMESA, TEXAS
DEFINED BENEFIT RETIREMENT PLAN - TESRS

EXHIBIT B-3

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

	<u>8/31/2015</u>	<u>8/31/2016</u>	<u>8/31/2017</u>	<u>8/31/2018</u>	<u>8/31/2019</u>
	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>
Service Cost	\$ 17,575	\$ 17,011	\$ 16,802	\$ 23,149	\$ 20,080
Interest	87,872	89,382	99,836	143,879	113,564
Benefit Payments	(46,669)	(47,209)	(53,062)	(84,833)	(69,218)
Differences Between Expected and Actual Experience		649		(1,314)	
Changes in Benefit Terms		7,250		41,044	
Changes in Assumptions		8,936			
Changes in Proportionate Share		(39,275)	61,199	513,453	(517,829)
Other		810	810	810	
Net Change	\$ 58,778	\$ 37,554	\$ 125,585	\$ 636,188	\$ (453,403)
Beginning Balance	<u>1,139,594</u>	<u>1,198,372</u>	<u>1,235,926</u>	<u>1,361,511</u>	<u>1,997,699</u>
Ending Balance	\$ 1,198,372	\$ 1,235,926	\$ 1,361,511	\$ 1,997,699	\$ 1,544,296
	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>
Contributions by Participating Departments	\$ 49,000	\$ 46,000	\$ 51,000	\$ 69,576	\$
Contributions from State	16,985	15,903	16,700	19,310	14,305
Net Investment Income	34,159	49,769	103,086	164,358	12,274
Benefit Payments	(46,669)	(47,209)	(53,062)	(84,833)	(69,218)
Administration Expenses	(2,240)	(1,676)	(1,943)	(2,297)	(2,441)
Change in Proportionate Share				408,638	(398,846)
Other	(96,545)	(40,799)	49,185		
Net Change	\$ (45,310)	\$ 21,988	\$ 164,966	\$ 574,752	\$ (443,926)
Beginning Balance	<u>966,783</u>	<u>921,473</u>	<u>943,461</u>	<u>1,108,427</u>	<u>1,683,179</u>
Ending Balance	\$ 921,473	\$ 943,461	\$ 1,108,427	\$ 1,683,179	\$ 1,239,253
Net Pension Liability (Asset)	\$ 276,899	\$ 292,465	\$ 253,084	\$ 314,520	\$ 305,043
Fiduciary Net Position as a Percentage of Total Pension Liability	76.89%	76.34%	81.41%	84.26%	80.25%
Covered Payroll	\$ 2,951,577	\$ 3,018,839	\$ 3,196,675	\$ 3,152,025	\$ 3,339,101
Net Pension Liability as a Percentage of Covered Payroll	9.38%	9.69%	7.92%	9.98%	9.14%

Note: Only five years of GASB 68 data available as of 08/31/2020. The remaining five years of data will be built on a go forward basis.

CITY OF LAMIESA, TEXAS
 DEFINED BENEFIT RETIREMENT PLAN - TESRS

EXHIBIT B-4

SCHEDULE OF EMPLOYER CONTRIBUTIONS
 SEPTEMBER 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
Actuarially Determined Contribution	\$ 49,000	\$ 46,000	\$ 48,400	\$ 75,576	\$ 48,224	\$ 69,576
Actual Contributions	49,000	46,000	48,400	75,576	48,224	69,576
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cover Payroll	\$ 2,951,577	\$ 3,173,266	\$ 3,173,266	\$ 3,408,655	\$ 3,552,511	\$ 3,525,362
Contributions as a Percentage of Covered Employee Payroll	1.66%	1.45%	1.53%	2.22%	1.36%	1.97%

Note: Only six years of GASB 68 data available as of 09/30/2020. The remaining four years of data will be built on a go forward basis.

CITY OF LAMESA, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2020

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of August 31 and become effective in September, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value Smoothed by a 5 years deferred recognition method with an 80%/120% corridor on Market Value
Inflation	3.00%
Salary Increases	Not Applicable
Net Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2020 valuation pursuant to an experience study of the period 2013-2018.
Mortality	Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for retirees (sex distinct), projected for mortality improvement generationally using projection scale MP-2019.

Other Information:

Notes There were no benefit changes during the year.
Changes in Assumptions There were no changes in assumptions during the year.

CITY OF LAMESA, TEXAS

EXHIBIT B-5

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General Property Taxes	\$ 2,296,474	\$ 2,296,474	\$ 2,307,862	\$ 11,388
General Sales Taxes	1,206,500	1,206,500	1,189,581	(16,919)
Gross Receipts Business Taxes	454,500	454,500	434,788	(19,712)
Licenses and Permits	32,750	32,750	35,930	3,180
Charges for Services	15,850	15,850	0	(15,850)
Fines and Fees	73,000	73,000	56,713	(16,287)
Investment Earnings	25,000	25,000	59,822	34,822
Intergovernmental	229,494	229,494	592,847	363,353
Use of Money and Property	25,500	25,500	15,371	(10,129)
Miscellaneous	226,035	458,795	172,898	(285,897)
Total Revenues	\$ 4,585,103	\$ 4,817,863	\$ 4,865,812	\$ 47,949
Expenditures:				
Current:				
Administration	\$ 879,930	\$ 900,058	\$ 545,244	\$ 354,814
General Government	442,474	540,345	409,072	131,273
Fire	953,765	891,626	1,131,818	(240,192)
Streets	891,626	1,101,624	729,805	371,819
Vehicle Services	166,966	166,966	86,260	80,706
Police	1,927,341	2,001,400	1,635,258	366,142
Parks and Recreation	1,002,658	1,072,771	762,562	310,209
Debt Service:				
Principal	68,880	6,160	161,750	(155,590)
Interest and Fiscal Charges	37,200	37,200	24,499	12,701
Total Expenditures	\$ 6,370,840	\$ 6,718,150	\$ 5,486,268	\$ 1,231,882
Revenues Under Expenditures	\$ (1,785,737)	\$ (1,900,287)	\$ (620,456)	\$ 1,279,831
Other Financing Sources (Uses):				
Transfers In	\$	\$	\$ 719,184	\$ 719,184
Sale of Real and Personal Property			45,000	45,000
Capital Lease Proceeds			147,775	147,775
Total Other Financing Sources	\$ 0	\$ 0	\$ 911,959	\$ 911,959
Net Change in Fund Balances	\$ (1,785,737)	\$ (1,900,287)	\$ 291,503	\$ 2,191,790
Fund Balances - Beginning	3,350,120	3,350,120	3,350,120	
Fund Balances - Ending	\$ 1,564,383	\$ 1,449,833	\$ 3,641,623	

CITY OF LAMESA, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY DATA
SEPTEMBER 30, 2020

BUDGETARY DATA

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council and are not made after fiscal year end. The legal level of control is at the function level. All budget appropriations lapse at year end.

The budget is presented on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Annual budgets were adopted for all governmental funds.

COMBINING STATEMENTS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Forfeited Property Fund	Hotel/Motel Occupancy Tax	State Agency Fund	Special Revenue				Community Development Block Grant	Other Restricted Funds	Special Revenue Grants	Total Nonmajor Governmental Funds (See Exhibit A-3)
				Criminal Justice Fund							
ASSETS:											
Cash and Cash Equivalents	\$ 10,470	\$ 233,147	\$ 13,600	\$ 3,897	\$ 2,821	\$ 43,564	\$ 134,161	\$ 441,660		\$ 441,660	
Receivables, Net of Allowances		45,405						45,405		45,405	
Total Assets	\$ 10,470	\$ 278,552	\$ 13,600	\$ 3,897	\$ 2,821	\$ 43,564	\$ 134,161	\$ 487,065		\$ 487,065	
LIABILITIES:											
Accounts Payable	\$ 0	\$ 0	\$ 13,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,600		\$ 13,600	
Total Liabilities	\$ 0	\$ 0	\$ 13,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,600		\$ 13,600	
FUND BALANCES:											
Restricted for Enabling Legislation	\$ 10,470	\$ 278,552	\$ 0	\$ 3,897	\$ 2,821	\$ 43,564	\$ 134,161	\$ 473,465		\$ 473,465	
Total Fund Balances	\$ 10,470	\$ 278,552	\$ 0	\$ 3,897	\$ 2,821	\$ 43,564	\$ 134,161	\$ 473,465		\$ 473,465	
Total Liabilities and Fund Balances	\$ 10,470	\$ 278,552	\$ 13,600	\$ 3,897	\$ 2,821	\$ 43,564	\$ 134,161	\$ 487,065		\$ 487,065	

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Forfeited Property Fund	Hotel/Motel Occupancy Tax	State Agency Fund	Special Revenue				General Special Revenue Grants	Total Nonmajor Governmental Funds (See Exhibit A-5)
				Criminal Justice Fund	Community Development Block Grant	Other Restricted Funds			
Revenue:									
Taxes									
Gross Receipts Business Taxes	\$	\$	\$	\$	\$	\$	\$	\$	
Motel Occupancy Taxes		121,413				2,990		2,990	
Fines, Fees and Forfeits					4,312			4,312	
Investment Earnings		1,449						1,449	
Intergovernmental					248,830		187,985	436,815	
Miscellaneous						2		2	
Total Revenue	\$ 0	\$ 122,862	\$ 0	\$ 0	\$ 248,830	\$ 7,304	\$ 187,985	\$ 566,981	
Expenditures:									
Current									
General Government	\$	\$	\$	\$	\$	\$	\$	\$	
Tourism		65,895					6,750	46,640	
Parks and Recreation								65,895	
Airport								60,509	
Total Expenditures	\$ 0	\$ 65,895	\$ 0	\$ 0	\$ 39,890	\$ 0	\$ 147,259	\$ 80,000	
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 56,967	\$ 0	\$ 0	\$ 208,940	\$ 7,304	\$ 40,726	\$ 313,937	
Transfers:									
Transfers In (Out)	\$	\$	\$	\$	\$	\$	\$	\$	
Total Transfers	\$ 0	\$ 0	\$ 0	\$ 0	\$ (208,940)	\$ 0	\$ 0	\$ (208,940)	
Fund Balances - Beginning	\$ 10,470	\$ 221,585	\$ 0	\$ 3,897	\$ 2,821	\$ 36,260	\$ 93,435	\$ 368,468	
Fund Balances - Ending	\$ 10,470	\$ 278,552	\$ 0	\$ 3,897	\$ 2,821	\$ 43,564	\$ 134,161	\$ 473,465	

CITY OF LAMESA, TEXAS

EXHIBIT C-3

HOUSING ASSISTANCE PROGRAM
PHA CODE: TX535
PHA NAME: LAMESA HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE
BALANCE SHEET
SEPTEMBER 30, 2020

<u>Line Item</u>		<u>HAP Fund</u>
	ASSETS:	
111	Cash and Cash Equivalents	\$ 47,825
110	Total Cash	\$ 47,825
150	Total Current Assets	\$ 47,825
	Noncurrent Assets:	
	Fixed Assets:	
164	Furniture, Equipment and Machinery	\$ 21,359
166	Accumulated Depreciation	(21,359)
160	Total Fixed Assets, Net	\$ 0
190	Total Assets	\$ 47,825
	LIABILITIES:	
333	Accounts Payable	\$ 17,239
	Total Liabilities	\$ 17,239
	NET POSITION:	
511.1	Restricted Net Position	\$
512.1	Unrestricted Net Position	30,586
	Total Net Position	\$ 30,586
600	Total Liabilities and Net Position	\$ 47,825

CITY OF LAMESA, TEXAS

EXHIBIT C-4

HOUSING ASSISTANCE PROGRAM
PHA CODE: TX535
PHA NAME: LAMESA HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE
SEPTEMBER 30, 2020

<u>Line Item</u>		<u>HAP Fund</u>
	Operating Revenue:	
706	HUD PHA Operating Grants	\$ 427,840
711	Investment Income	1,613
700	Total Operating Revenue:	<u>\$ 429,453</u>
	Operating Expenses:	
911	Administrative Salaries	\$ 37,045
916	Other General Expenses	21,559
912	Accounting and Audit Fees	300
969	Total Operating Expenses:	<u>\$ 58,904</u>
	Excess (Deficiency) of Revenues	
970	Over (Under) Expenses	<u>\$ 370,549</u>
	Other Expenses:	
973	Housing Assistance Payments	\$ 355,750
900	Total Other Expenses:	<u>\$ 355,750</u>
	Deficiency of Expenses over Revenue	<u>\$ 14,799</u>

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

City Council
City of Lamesa, Texas
Lamesa, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lamesa, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Lamesa, Texas' basic financial statements and have issued our report thereon dated June 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lamesa, Texas' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lamesa, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lamesa, Texas' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lamesa, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

June 8, 2021

